

**SEYMOUR COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2006**

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SEYMOUR COMMUNITY SCHOOL DISTRICT

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**

**(Before September 2005 Election)**

|                |              |      |
|----------------|--------------|------|
| Lisa Warren    | President    | 2005 |
| Josh Wells     | Board Member | 2005 |
| Tracy McMurray | Board Member | 2006 |
| Brent Brown    | Board Member | 2007 |
| Jerry Keller   | Board Member | 2007 |

**Board of Education**

**(After September 2005 Election)**

|                 |              |      |
|-----------------|--------------|------|
| Lisa Warren     | President    | 2005 |
| Tracy McMurray  | Board Member | 2006 |
| Brent Brown     | Board Member | 2007 |
| Jerry Keller    | Board Member | 2007 |
| Dan Furlin, Jr. | Board Member | 2008 |

**School Officials**

|              |                  |      |
|--------------|------------------|------|
| Dale Weeks   | Superintendent   | 2006 |
| Mollie Banks | Business Manager | 2006 |

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Independent Auditor's Report

To the Board of Education of  
Seymour Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District, Seymour, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Seymour Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 18, 2006, on my consideration of Seymour Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and 36 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Seymour Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 18, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Seymour Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,552,976 in fiscal 2005 to \$2,734,859 in fiscal 2006, while General Fund expenditures decreased from \$2,809,817 in fiscal 2005 to \$2,805,729 in fiscal 2006. The District's General Fund balance decreased from \$131,023 in fiscal 2005 to \$60,153 in fiscal 2006, a 54% decrease.
- The increase in General Fund revenues was attributable to an increase in property tax and State aid in fiscal 2006. Even with increased revenues and an emphasis on reduced spending the General Fund balance continued to decrease.
- An increase in interest rates during the past year resulted in interest earnings in the General Fund alone increasing from \$8,686 in fiscal 2005 to \$10,603 in fiscal 2006.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Seymour Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Seymour Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Seymour Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-1  
Condensed Statement of Net Assets  
(Expressed in Thousands)

|                                                       | Governmental<br>Activities |         | Business type<br>Activities |       | Total<br>District |         | Total<br>Change |
|-------------------------------------------------------|----------------------------|---------|-----------------------------|-------|-------------------|---------|-----------------|
|                                                       | June 30,                   |         | June 30,                    |       | June 30,          |         | June 30,        |
|                                                       | 2006                       | 2005    | 2006                        | 2005  | 2006              | 2005    | 2005-2006       |
| Current and other assets                              | \$2,604                    | \$1,850 | \$ 38                       | \$ 26 | \$2,642           | \$1,876 | 40.0%           |
| Capital assets                                        | 1,196                      | 1,251   | 10                          | 11    | 1,206             | 1,262   | -4.4%           |
| Total assets                                          | 3,800                      | 3,101   | 48                          | 37    | 3,848             | 3,138   | 22.6%           |
| Long-term liabilities                                 | 390                        | 455     | -                           | -     | 390               | 455     | -14.3%          |
| Other liabilities                                     | 2,006                      | 1,277   | 6                           | 6     | 2,012             | 1,283   | 56.8%           |
| Total liabilities                                     | 2,396                      | 1,732   | 6                           | 6     | 2,402             | 1,738   | 38.2%           |
| Net assets:                                           |                            |         |                             |       |                   |         |                 |
| Invested in capital<br>assets, net of<br>related debt | 805                        | 795     | 10                          | 11    | 815               | 806     | 1.1%            |
| Restricted                                            | 267                        | 248     | -                           | -     | 267               | 248     | 7.7%            |
| Unrestricted                                          | 332                        | 326     | 32                          | 20    | 364               | 346     | 5.2%            |
| Total net assets                                      | 1,404                      | 1,369   | 42                          | 31    | 1,446             | 1,400   | 3.3%            |

The District's combined net assets increased by nearly 3%, or approximately \$46,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$19,000, or 7% over the prior year. The increase was primarily a result of decreased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$18,000 or 5.2%.

Figure A-2 shows the change in net assets for the year ended June 30, 2006.

**Figure A-2**  
**Changes in Net Assets**  
**(Expressed in Thousands)**

|                                                            | Governmental<br>Activities |              | Business Type<br>Activities |            | Total<br>District |              | Total<br>Change |
|------------------------------------------------------------|----------------------------|--------------|-----------------------------|------------|-------------------|--------------|-----------------|
|                                                            | 2006                       | 2005         | 2006                        | 2005       | 2006              | 2005         |                 |
| Revenues:                                                  |                            |              |                             |            |                   |              |                 |
| Program revenues:                                          |                            |              |                             |            |                   |              |                 |
| Charges for service                                        | \$ 134                     | 135          | 57                          | 62         | 191               | 197          | -3.0%           |
| Operating grants, contributions<br>and restricted interest | 403                        | 384          | 84                          | 77         | 487               | 461          | 5.6%            |
| Capital grants, contributions<br>and restricted interest   | -                          | -            | -                           | -          | -                 | -            | -               |
| General revenues:                                          |                            |              |                             |            |                   |              |                 |
| Property tax                                               | 963                        | 916          | -                           | -          | 963               | 916          | 5.1%            |
| Income surtax                                              | 56                         | 27           | -                           | -          | 56                | 27           | 107.0%          |
| Local option sales and service tax                         | 165                        | 168          | -                           | -          | 165               | 168          | -1.8%           |
| Unrestricted intermediate grants                           | 8                          | 10           | -                           | -          | 8                 | 10           | -20.0%          |
| Unrestricted state grants                                  | 1,425                      | 1,328        | -                           | -          | 1,425             | 1,328        | 7.3%            |
| Unrestricted investment earnings                           | 32                         | 14           | -                           | -          | 32                | 14           | 128.6%          |
| Other                                                      | -                          | 1            | -                           | -          | -                 | 1            | --              |
| Total revenues                                             | <u>3,186</u>               | <u>2,983</u> | <u>141</u>                  | <u>139</u> | <u>3,327</u>      | <u>3,122</u> | <u>6.6%</u>     |
| Program expenses:                                          |                            |              |                             |            |                   |              |                 |
| Governmental activities:                                   |                            |              |                             |            |                   |              |                 |
| Instruction                                                | 1,898                      | 1,913        | -                           | -          | 1,898             | 1,913        | -.8%            |
| Support services                                           | 1,132                      | 963          | -                           | -          | 1,132             | 963          | 17.5%           |
| Non-instructional programs                                 | -                          | 1            | 131                         | 129        | 131               | 130          | .8%             |
| Other expenses                                             | 121                        | 125          | -                           | -          | 121               | 125          | -3.2%           |
| Total expenses                                             | <u>3,151</u>               | <u>3,002</u> | <u>131</u>                  | <u>129</u> | <u>3,282</u>      | <u>3,131</u> | <u>4.8%</u>     |
| Change in net assets                                       | <u>35</u>                  | <u>(19)</u>  | <u>10</u>                   | <u>10</u>  | <u>45</u>         | <u>(9)</u>   |                 |

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 96% of the total expenses.

The District had a 6.6% increase in revenues and a 4.8% increase in expenditures. Property taxes increased \$48,000 and state aid increased \$96,000. Expenditures increased in the support service area because of repair projects to facilities, increased utility costs and higher transportation costs.

### Governmental Activities

Revenues for governmental activities were \$3,326,487 and expenses were \$3,281,752. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.



The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-3**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

|                  | Total Cost<br>of Services |       | Net Cost<br>of Services |       | Total<br>Changes |
|------------------|---------------------------|-------|-------------------------|-------|------------------|
|                  | 2006                      | 2005  | 2006                    | 2005  | 2005-2006        |
| Instruction      | \$1,898                   | 1,913 | 1,479                   | 1,495 | -1.1%            |
| Support services | 1,132                     | 963   | 1,113                   | 963   | 15.6%            |
| Non-instruction  | -                         | 1     | -                       | 1     | --               |
| Other expenses   | 121                       | 125   | 22                      | 25    | 12.0%            |
| Totals           | 3,151                     | 3,002 | 2,614                   | 2,484 | 5.2%             |

- The cost financed by users of the District's programs was \$134,043.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$402,583.
- The net cost of governmental activities was financed with \$1,184,489 in property and other taxes and \$1,432,471 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$140,670 and expenses were \$130,600. The District's Business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District maintained meal prices. The District reported a positive balance due primarily to the number of students qualifying for free and reduced price meals.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Seymour Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$598,646, above last year's ending fund balances of \$574,345.

### Governmental Fund Highlights

- The District's desire is to maintain a high quality educational program within the current tax structure. The District's deteriorating General Fund financial position is the result of many factors. Even with an increase in revenues and an emphasis on controlling spending the District had to use carryover fund balance to meet its financial obligations during the year. The District experienced an increase in utility costs and higher transportation costs. The District's General Fund balance has declined to \$60,153. The District will borrow from ISCAP in August 2006 to pay salaries and operating costs.
- The General Fund balance decreased from \$131,023 to \$60,153, due in part to declining enrollment, the negotiated salary and benefits settlement and existing expenditure commitments of the District.
- The decline in the General Fund balance will be addressed in a variety of methods. The District has eliminated one teaching position and has decreased the number of bus routes. The District will address some of the revenue short falls by adjusting the revenue sources utilized to support the General Fund. The District will utilize funds generated by the SILO tax to reduce the debt service levy. The previous debt service levy will be added to help support the General Fund levy. The attrition and non-replacement of staff should result in substantial savings to the District. The District will also utilize PPEL funds to reduce General Fund expenditures.

- The Physical Plant and Equipment Levy (PEEL) Fund balance was able to be maintained because the District utilized revenues from the SILO tax to cover expenditures.
- The Capital Projects Fund balance increased from \$195,358 in fiscal 2005 to \$271,955 in fiscal 2006. Monies were transferred from capital projects fund to Physical Plant and Equipment Levy Fund to pay for several maintenance projects on the facilities.

### Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$31,344 at June 30, 2005 to \$41,423 at June 30, 2006, representing an increase of approximately 32%. The District has a high percentage of students participating in the free and reduced price meal program.

### BUDGETARY HIGHLIGHTS

The District's receipts were \$132,118 less than budgeted receipts, a variance of 3.8%. The most significant variance resulted from the District receiving less state and federal aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2006, the District had invested \$1,175 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 6.9% from last year. Depreciation expense for the year was \$77,531.

The original cost of the District's capital assets was \$2.49 million. Governmental funds account for \$2.47 million, with the remainder of \$.02 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-4**  
**Capital Assets, net of Depreciation**  
**(expressed in thousands)**

|                         | Governmental<br>Activities |       | Business Type<br>Activities |      | Total<br>District |       | Total<br>Change |
|-------------------------|----------------------------|-------|-----------------------------|------|-------------------|-------|-----------------|
|                         | June 30,                   |       | June 30,                    |      | June 30,          |       | June 30,        |
|                         | 2006                       | 2005  | 2006                        | 2005 | 2006              | 2005  | 2005-2006       |
| Land                    | \$ 3                       | \$ 3  | \$ -                        | \$ - | \$ 3              | \$ 3  | --              |
| Buildings               | 1,060                      | 1,105 | -                           | -    | 1,060             | 1,105 | -4.19%          |
| Furniture and equipment | 102                        | 143   | 10                          | 11   | 112               | 154   | -27.3%          |
| Totals                  | 1,165                      | 1,251 | 10                          | 11   | 1,175             | 1,262 | -6.9%           |

## Long-Term Debt

At June 30, 2006, the District had \$390,000 in general obligation debt outstanding. This represents a decrease of approximately 14% from last year.

**Figure A-5**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

| <u>Total</u><br><u>District</u><br><u>June 30,</u><br><u>2006          2005</u> |                          | <u>Total</u><br><u>Change</u><br><u>June 30,</u><br><u>2005-2006</u> |
|---------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------|
| General obligation bonds                                                        | \$390,000      \$455,000 | 14%                                                                  |

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Wayne County has advised the District that due to revised valuations the District's total taxable valuation will go up \$1,100,000 for property tax collected in fiscal 2007.
- The District has experienced declining enrollment for the past several years, 18 students each year for 2005 and 2006 and expects declining enrollment for fiscal year 2007.
- The District eliminated a teaching position and a bus route in an attempt to balance the fiscal year 2007 budget.
- The District continues to operate on a year-to-year collective agreement with the Seymour Education Teacher's Association. Recent negotiated settlements were 4.2% for fiscal 2006 and 2007.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mollie Banks, District Secretary/Treasurer and Business Manager, Seymour Community School District, Seymour, Iowa 52590.

## **Basic Financial Statements**

SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2006

|                                                 | Governmental<br>Activities | Business type<br>Activities | Total            |
|-------------------------------------------------|----------------------------|-----------------------------|------------------|
| <b>Assets</b>                                   |                            |                             |                  |
| Cash and cash equivalents                       | \$ 726,813                 | 36,630                      | 763,443          |
| ISCAP                                           | 716,722                    | -                           | 716,722          |
| Receivables:                                    |                            |                             |                  |
| Property tax:                                   |                            |                             |                  |
| Delinquent                                      | 24,496                     | -                           | 24,496           |
| Succeeding year                                 | 997,824                    | -                           | 997,824          |
| Income tax succeeding year                      | 40,166                     | -                           | 40,166           |
| Accounts                                        | -                          | -                           | -                |
| ISCAP accrued interest                          | 7,271                      | -                           | 7,271            |
| Due from other governments                      | 90,243                     | -                           | 90,243           |
| Inventories                                     | -                          | 1,640                       | 1,640            |
| Capital assets, net of accumulated depreciation | 1,196,510                  | 9,577                       | 1,206,087        |
| <b>Total assets</b>                             | <b>3,800,045</b>           | <b>47,847</b>               | <b>3,847,892</b> |
| <b>Liabilities</b>                              |                            |                             |                  |
| Excess of warrants over bank balance            | -                          | -                           | -                |
| Accounts payable                                | 7,841                      | -                           | 7,841            |
| Salaries and benefits payable                   | 236,760                    | 6,424                       | 243,184          |
| Accrued interest payable                        | 1,582                      | -                           | 1,582            |
| Deferred revenue:                               |                            |                             |                  |
| Succeeding year property tax                    | 997,824                    | -                           | 997,824          |
| Succeeding year income surtax                   | 40,166                     | -                           | 40,166           |
| ISCAP warrants payable                          | 716,000                    | -                           | 716,000          |
| ISCAP accrued interest payable                  | 6,298                      | -                           | 6,298            |
| Long-term liabilities:                          |                            |                             |                  |
| Portion due within one year:                    |                            |                             |                  |
| Bonds payable                                   | 70,000                     | -                           | 70,000           |
| Portion due after one year:                     |                            |                             |                  |
| Bonds payable                                   | 320,000                    | -                           | 320,000          |
| <b>Total liabilities</b>                        | <b>2,396,471</b>           | <b>6,424</b>                | <b>2,402,895</b> |
| <b>Net assets</b>                               |                            |                             |                  |
| Invested in capital assets, net of related debt | 804,928                    | 9,577                       | 814,505          |
| Restricted for:                                 |                            |                             |                  |
| Management levy                                 | 94,393                     |                             | 94,393           |
| Debt service                                    | 15,103                     |                             | 15,103           |
| Physical plant and equipment levy               | 38,584                     | -                           | 38,584           |
| Other special revenue purposes                  | 118,458                    | -                           | 118,458          |
| Unrestricted                                    | 332,108                    | 31,846                      | 363,954          |
| <b>Total net assets</b>                         | <b>\$ 1,403,574</b>        | <b>41,423</b>               | <b>1,444,997</b> |

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

|                                             |              | Program Revenues |                                                         |                                                       |
|---------------------------------------------|--------------|------------------|---------------------------------------------------------|-------------------------------------------------------|
|                                             |              | Charges for      | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
|                                             | Expenses     | Service          |                                                         |                                                       |
| <b>Functions/Programs</b>                   |              |                  |                                                         |                                                       |
| Governmental activities:                    |              |                  |                                                         |                                                       |
| Instruction:                                |              |                  |                                                         |                                                       |
| Regular instruction                         | \$ 1,159,129 | 33,187           | 118,347                                                 | -                                                     |
| Special instruction                         | 390,671      | -                | 164,328                                                 | -                                                     |
| Other instruction                           | 348,390      | 99,935           | 3,148                                                   | -                                                     |
|                                             | 1,898,190    | 133,122          | 285,823                                                 | -                                                     |
| Support Service:                            |              |                  |                                                         |                                                       |
| Student services                            | 90,296       | -                | -                                                       | -                                                     |
| Instructional staff services                | 128,391      | -                | -                                                       | -                                                     |
| Administration services                     | 330,017      | -                | -                                                       | -                                                     |
| Operating and maintenance of plant services | 363,001      | -                | 17,692                                                  | -                                                     |
| Transportation services                     | 219,807      | 921              | -                                                       | -                                                     |
|                                             | 1,131,512    | 921              | 17,692                                                  | -                                                     |
| Non-instructional programs                  |              |                  |                                                         |                                                       |
|                                             | 250          | -                | -                                                       | -                                                     |
| Other expenditures:                         |              |                  |                                                         |                                                       |
| Facilities acquisition                      | -            | -                | -                                                       | -                                                     |
| Long-term debt interest                     | 22,132       | -                | -                                                       | -                                                     |
| AEA flowthrough                             | 99,068       | -                | 99,068                                                  | -                                                     |
|                                             | 121,200      | -                | 99,068                                                  | -                                                     |
| Total governmental activities               |              |                  |                                                         |                                                       |
|                                             | 3,151,152    | 134,043          | 402,583                                                 | -                                                     |
| Business type activities:                   |              |                  |                                                         |                                                       |
| Non-instructional programs:                 |              |                  |                                                         |                                                       |
| Nutrition services                          | 130,600      | 57,218           | 83,452                                                  | -                                                     |
|                                             | 130,600      | 57,218           | 83,452                                                  | -                                                     |
| Total primary government                    |              |                  |                                                         |                                                       |
|                                             | \$ 3,281,752 | 191,261          | 486,035                                                 | -                                                     |

| Net (Expense) Revenue and Changes in Net Assets                |                            |                             |             |
|----------------------------------------------------------------|----------------------------|-----------------------------|-------------|
| Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities | Business type<br>Activities | Total       |
| -                                                              | (1,007,595)                | -                           | (1,007,595) |
| -                                                              | (226,343)                  | -                           | (226,343)   |
| -                                                              | (245,307)                  | -                           | (245,307)   |
| -                                                              | (1,479,245)                | -                           | (1,479,245) |
| -                                                              | (90,296)                   | -                           | (90,296)    |
| -                                                              | (128,391)                  | -                           | (128,391)   |
| -                                                              | (330,017)                  | -                           | (330,017)   |
| -                                                              | (345,309)                  | -                           | (345,309)   |
| -                                                              | (218,886)                  | -                           | (218,886)   |
| -                                                              | (1,112,899)                | -                           | (1,112,899) |
| -                                                              | (250)                      | -                           | (250)       |
| -                                                              | -                          | -                           | -           |
| -                                                              | (22,132)                   | -                           | (22,132)    |
| -                                                              | -                          | -                           | -           |
| -                                                              | (22,132)                   | -                           | (22,132)    |
| -                                                              | (2,614,526)                | -                           | (2,614,526) |
| -                                                              | -                          | 10,070                      | 10,070      |
| -                                                              | -                          | 10,070                      | 10,070      |
| -                                                              | (2,614,526)                | 10,070                      | (2,604,456) |

Continued from previous page

**General Revenues:**

|                                                        |    |           |         |         |
|--------------------------------------------------------|----|-----------|---------|---------|
| Totals from pages 20 and 21                            | \$ | 3,281,752 | 191,261 | 486,035 |
| Property tax levied for:                               |    |           |         |         |
| General purposes                                       |    |           |         |         |
| Debt service                                           |    |           |         |         |
| Capital outlay                                         |    |           |         |         |
| Income surtax                                          |    |           |         |         |
| Local option sales and services tax                    |    |           |         |         |
| Unrestricted intermediate grants                       |    |           |         |         |
| Unrestricted state grants                              |    |           |         |         |
| Unrestricted investment earnings                       |    |           |         |         |
| Other                                                  |    |           |         |         |
| Gain on sale of assets                                 |    |           |         |         |
| <br>Total general revenues                             |    |           |         |         |
| <br>Change in net assets                               |    |           |         |         |
| <br>Net assets beginning of year, as restated (note 9) |    |           |         |         |
| <br>Net assets end of year                             |    |           |         |         |

See notes to financial statements.

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|              |             |           |             |
|--------------|-------------|-----------|-------------|
| <u>-</u>     | (2,614,526) | 10,070    | (2,604,456) |
| 876,461      | -           | 876,461   |             |
| 87,030       | -           | 87,030    |             |
| -            | -           | -         |             |
| 56,268       |             |           |             |
| 164,730      | -           | 164,730   |             |
| 7,820        |             | 7,820     |             |
| 1,424,651    | -           | 1,424,651 |             |
| 32,231       | 9           | 32,240    |             |
| -            | -           | -         |             |
| -            | -           | -         |             |
| 2,649,191    | 9           | 2,649,200 |             |
| 34,665       | 10,079      | 44,744    |             |
| 1,368,909    | 31,344      | 1,400,253 |             |
| \$ 1,403,574 | 41,423      | 1,444,997 |             |

SEYMOUR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

|                                                  | General             | Debt<br>Service | Capital<br>Projects |
|--------------------------------------------------|---------------------|-----------------|---------------------|
| <b>Assets and Other Debits</b>                   |                     |                 |                     |
| Cash and pooled investments                      | \$ 247,700          | 12,895          | 215,343             |
| ISCAP                                            | 716,722             | -               | -                   |
| Receivables:                                     |                     |                 |                     |
| Property tax:                                    |                     |                 |                     |
| Current year delinquent                          | 20,185              | 2,208           | -                   |
| Succeeding year                                  | 924,284             | -               | -                   |
| Income tax succeeding year                       | 40,166              | -               | -                   |
| Accounts                                         | -                   | -               | -                   |
| ISCAP accrued interest                           | 7,271               | -               | -                   |
| Due from other governments                       | 33,631              | -               | 56,612              |
| <b>Total assets and other debits</b>             | <b>\$ 1,989,959</b> | <b>15,103</b>   | <b>271,955</b>      |
| <b>Liabilities and Fund Balances</b>             |                     |                 |                     |
| Liabilities:                                     |                     |                 |                     |
| Excess of outstanding warrants over bank balance | -                   | -               | -                   |
| Accounts payable                                 | 6,298               | -               | -                   |
| Salaries and benefits payable                    | 236,760             | -               | -                   |
| Deferred revenue:                                |                     |                 |                     |
| Succeeding year property tax                     | 924,284             | -               | -                   |
| Succeeding year income surtax                    | 40,166              | -               | -                   |
| ISCAP warrants payable                           | 716,000             | -               | -                   |
| ISCAP accrued interest payable                   | 6,298               | -               | -                   |
| Total liabilities                                | 1,929,806           | -               | -                   |
| Fund balances:                                   |                     |                 |                     |
| Reserved for:                                    |                     |                 |                     |
| Debt service                                     | -                   | 15,103          | -                   |
| Unreserved:                                      |                     |                 |                     |
| Undesignated                                     | 60,153              | -               | 271,955             |
| Total fund balances                              | 60,153              | 15,103          | 271,955             |
| <b>Total liabilities and fund balances</b>       | <b>\$ 1,989,959</b> | <b>15,103</b>   | <b>271,955</b>      |

See notes to financial statements.

| Nonmajor<br>Special<br>Revenue | Total     |
|--------------------------------|-----------|
| 250,875                        | 726,813   |
| -                              | 716,722   |
| 2,103                          | 24,496    |
| 73,540                         | 997,824   |
| -                              | 40,166    |
| -                              | -         |
| -                              | 7,271     |
| -                              | 90,243    |
| 326,518                        | 2,603,535 |
| -                              | -         |
| 1,543                          | 7,841     |
| -                              | 236,760   |
| 73,540                         | 997,824   |
| -                              | 40,166    |
| -                              | 716,000   |
| -                              | 6,298     |
| 75,083                         | 2,004,889 |
| -                              | 15,103    |
| 251,435                        | 583,543   |
| 251,435                        | 598,646   |
| 326,518                        | 2,603,535 |

SEYMOUR COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006

|                                                           |            |
|-----------------------------------------------------------|------------|
| <b>Total fund balances of governmental funds (pg. 16)</b> | \$ 598,646 |
|-----------------------------------------------------------|------------|

***Amounts reported for governmental activities in the statement of net assets are different because:***

|                                                                                                                                                  |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 1,196,510 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                          |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (1,582) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                                                         |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(390,000)</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|

|                                                       |                            |
|-------------------------------------------------------|----------------------------|
| <b>Net assets of governmental activities (pg. 10)</b> | <u><u>\$ 1,403,574</u></u> |
|-------------------------------------------------------|----------------------------|

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

|                                                              | General    | Debt<br>Service | Capital<br>Projects |
|--------------------------------------------------------------|------------|-----------------|---------------------|
| Revenues:                                                    |            |                 |                     |
| Local sources:                                               |            |                 |                     |
| Local tax                                                    | \$ 851,860 | 87,030          | 162,730             |
| Tuition                                                      | 33,187     | -               | -                   |
| Other                                                        | 32,450     | 1,467           | 7,451               |
| Intermediate                                                 | 7,820      |                 |                     |
| State sources                                                | 1,523,719  | -               | -                   |
| Federal sources                                              | 285,823    | -               | -                   |
| Total revenues                                               | 2,734,859  | 88,497          | 170,181             |
| Expenditures:                                                |            |                 |                     |
| Current:                                                     |            |                 |                     |
| Instruction:                                                 |            |                 |                     |
| Regular instruction                                          | 1,159,129  | -               | -                   |
| Special instruction                                          | 390,671    | -               | -                   |
| Other instruction                                            | 262,664    | -               | -                   |
|                                                              | 1,812,464  | -               | -                   |
| Support services:                                            |            |                 |                     |
| Student services                                             | 90,296     | -               | -                   |
| Instructional staff services                                 | 128,391    | -               | -                   |
| Administration services                                      | 281,788    | -               | -                   |
| Operation and maintenance of plant services                  | 204,947    | -               | -                   |
| Transportation services                                      | 188,525    | -               | -                   |
|                                                              | 893,947    | -               | -                   |
| Non-instructional programs                                   | 250        | -               | -                   |
| Other expenditures:                                          |            |                 |                     |
| Facilities acquisition                                       | -          | -               | -                   |
| Long-term debt:                                              |            |                 |                     |
| Principal                                                    | -          | 65,000          | -                   |
| Interest and fiscal charges                                  | -          | 22,381          | -                   |
| AEA flowthrough                                              | 99,068     | -               | -                   |
|                                                              | 99,068     | 87,381          | -                   |
| Total expenditures                                           | 2,805,729  | 87,381          | -                   |
| Excess (deficiency) of revenues over<br>(under) expenditures | (70,870)   | 1,116           | 170,181             |
| Other financing sources:                                     |            |                 |                     |
| Operating transfers in                                       | -          | -               | -                   |
| Operating transfers out                                      | -          | -               | (93,584)            |
| Total other financing sources                                | -          | -               | (93,584)            |
| Net change in fund balances                                  | (70,870)   | 1,116           | 76,597              |
| Fund balances beginning of year                              | 131,023    | 13,987          | 195,358             |
| Fund balances end of year                                    | \$ 60,153  | 15,103          | 271,955             |

| Nonmajor<br>Special<br>Revenue | Total     |
|--------------------------------|-----------|
| 82,869                         | 1,184,489 |
| -                              | 33,187    |
| 91,719                         | 133,087   |
| -                              | 7,820     |
| -                              | 1,523,719 |
| 17,692                         | 303,515   |
| 192,280                        | 3,185,817 |
| -                              | 1,159,129 |
| -                              | 390,671   |
| 85,726                         | 348,390   |
| 85,726                         | 1,898,190 |
| -                              | 90,296    |
| -                              | 128,391   |
| 48,229                         | 330,017   |
| 113,129                        | 318,076   |
| 21,322                         | 209,847   |
| 182,680                        | 1,076,627 |
| -                              | 250       |
| -                              | -         |
| -                              | 65,000    |
| -                              | 22,381    |
| -                              | 99,068    |
| -                              | 186,449   |
| 268,406                        | 3,161,516 |
| (76,126)                       | 24,301    |
| 93,584                         | 93,584    |
| -                              | (93,584)  |
| 93,584                         | -         |
| 17,458                         | 24,301    |
| 233,977                        | 574,345   |
| 251,435                        | 598,646   |

SEYMOUR COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

**Net change in fund balances-total governmental funds (pg. 19)** \$ 24,301

***Amounts reported for governmental activities in the  
statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Sta

|                      |                 |          |
|----------------------|-----------------|----------|
| Capital outlays      | 20,977          |          |
| Depreciation expense | <u>(75,862)</u> | (54,885) |

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 65,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as t 249

|                                                                 |                         |
|-----------------------------------------------------------------|-------------------------|
| <b>Change in net assets of governmental activities (pg. 14)</b> | <u><u>\$ 34,665</u></u> |
|-----------------------------------------------------------------|-------------------------|

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2006

|                                                 | <u>School<br/>Nutrition</u> |
|-------------------------------------------------|-----------------------------|
| <b>Assets</b>                                   |                             |
| Cash and cash equivalents                       | \$ 36,630                   |
| Inventories                                     | 1,640                       |
| Capital assets, net of accumulated depreciation | <u>9,577</u>                |
| <b>Total assets</b>                             | <u>47,847</u>               |
| <b>Liabilities</b>                              |                             |
| Salaries and benefits payable                   | <u>6,424</u>                |
| <b>Total liabilities</b>                        | <u>6,424</u>                |
| <b>Net Assets</b>                               |                             |
| Invested in capital assets, net of related debt | 9,577                       |
| Unrestricted                                    | <u>31,846</u>               |
| <b>Total net assets</b>                         | <u><u>\$ 41,423</u></u>     |

See notes to financial statements.



SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
Year ended June 30, 2006

|                              | <u>School<br/>Nutrition</u>     |
|------------------------------|---------------------------------|
| Operating revenues:          |                                 |
| Local sources                |                                 |
| Charges for service          | <u>\$         57,218</u>        |
| Operating expenses:          |                                 |
| Non-instructional programs:  |                                 |
| Food service operations:     |                                 |
| Salaries                     | 50,255                          |
| Benefits                     | 6,719                           |
| Purchased services           | 5,066                           |
| Supplies                     | 66,891                          |
| Depreciation                 | <u>1,669</u>                    |
| Total operating expenses     | <u>130,600</u>                  |
| Operating loss               | <u>(73,382)</u>                 |
| Non-operating revenues:      |                                 |
| State sources                | 1,857                           |
| Federal sources              | 81,595                          |
| Local sources                | <u>9</u>                        |
| Total non-operating revenues | <u>83,461</u>                   |
| Changes in net assets        | 10,079                          |
| Net assets beginning of year | <u>31,344</u>                   |
| Net assets end of year       | <u><u>\$         41,423</u></u> |

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year ended June 30, 2006

|                                                                                                                            | School<br>Nutrition       |
|----------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Cash flows from operating activities:                                                                                      |                           |
| Cash received from sale of meals                                                                                           | \$ 57,218                 |
| Cash payments to employees for services                                                                                    | (56,686)                  |
| Cash payments to suppliers for goods or services                                                                           | (61,092)                  |
| Net cash used by operating activities                                                                                      | <u>(60,560)</u>           |
| Cash flows from non-capital financing activities:                                                                          |                           |
| State grants received                                                                                                      | 1,857                     |
| Federal grants received                                                                                                    | 70,977                    |
| Net cash provided by non-capital financing activities                                                                      | <u>72,834</u>             |
| Cash flows from capital and related financing activities:                                                                  |                           |
| Acquisition of capital assets                                                                                              | -                         |
| Cash flows from investing activities:                                                                                      |                           |
| Interest on investments                                                                                                    | <u>9</u>                  |
| Net increase in cash and cash equivalents                                                                                  | 12,283                    |
| Cash and cash equivalents at beginning of year                                                                             | <u>24,347</u>             |
| Cash and cash equivalents at end of year                                                                                   | <u><u>\$ 36,630</u></u>   |
| Reconciliation of operating loss to net cash used by operating activities:                                                 |                           |
| Operating loss                                                                                                             | \$ (73,382)               |
| Adjustments to reconcile operating loss to<br>net cash provided (used) by operating activities:                            |                           |
| Commodities used                                                                                                           | 10,618                    |
| Depreciation                                                                                                               | 1,669                     |
| Decrease in inventory                                                                                                      | 247                       |
| Increase in payables                                                                                                       | 288                       |
| Net cash used by operating activities                                                                                      | <u><u>\$ (60,560)</u></u> |
| <b>Reconciliation of cash and cash equivalents at year end to<br/>specific assets included on Statement of Net Assets:</b> |                           |
| Current assets:                                                                                                            |                           |
| Cash and investments                                                                                                       | \$ 36,630                 |
| Cash and cash equivalents at year end                                                                                      | <u><u>\$ 36,630</u></u>   |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received federal commodities valued at \$10,618.

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2006

|                                    | <u>Private Purpose<br/>Trust</u> |
|------------------------------------|----------------------------------|
|                                    | <u>Scholarship</u>               |
| <b>Assets</b>                      |                                  |
| Cash and pooled investments        | \$ 126,350                       |
| <b>Total assets</b>                | <u><u>126,350</u></u>            |
| <b>Liabilities</b>                 |                                  |
| Accounts payable                   | -                                |
| <b>Total liabilities</b>           | <u><u>-</u></u>                  |
| <b>Net assets</b>                  |                                  |
| Reserved for scholarships          | <u><u>\$ 126,350</u></u>         |
| See notes to financial statements. |                                  |

SEYMOUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended June 30, 2006

|                              | <u>Private Purpose<br/>Trust</u> |
|------------------------------|----------------------------------|
|                              | <u>Scholarship</u>               |
| Additions:                   |                                  |
| Local sources:               |                                  |
| Gifts and contributions      | \$ -                             |
| Interest income              | 5,018                            |
| Total additions              | <u>5,018</u>                     |
| Deductions:                  |                                  |
| Support services:            |                                  |
| Scholarships awarded         | 3,000                            |
| Fees                         | 2                                |
|                              | <u>3,002</u>                     |
| Change in net assets         | 2,016                            |
| Net assets beginning of year | <u>124,334</u>                   |
| Net assets end of year       | <u>\$ 126,350</u>                |

See notes to financial statements.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2006

**(1) Summary of Significant Accounting Policies**

Seymour Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Seymour and Promise City, Iowa, and the predominate agricultural territory in Wayne and Appanoose Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Seymour Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Seymour Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvements of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>               | <u>Amount</u> |
|----------------------------------|---------------|
| Land                             | \$ 5,000      |
| Buildings                        | 5,000         |
| Improvement other than buildings | 5,000         |
| Furniture and equipment:         |               |
| School Nutrition Fund equipment  | 1,000         |
| Other furniture and equipment    | 5,000         |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u>                | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|-----------------------------------|--------------------------------------------------|
| Buildings                         | 40 years                                         |
| Improvements other than buildings | 20-40 years                                      |
| Furniture and equipment           | 5-15 years                                       |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.



At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

|                       | <u>Amortized Cost</u> |
|-----------------------|-----------------------|
| Diversified Portfolio | \$817,594             |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint investment Trust were both rated Aaa by Moody's Investors Service.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u>                | <u>Transfer from</u> | <u>Amount</u> |
|-----------------------------------|----------------------|---------------|
| Special Revenue:                  |                      |               |
| Physical Plant and Equipment Levy | Capital Projects     | \$93,584      |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

| <u>Series</u> | <u>Warrant Date</u> | <u>Final Warrant Maturity</u> | <u>Investments</u> | <u>Accrued Interest Receivable</u> | <u>Warrants Payable</u> | <u>Accrued Interest Payable</u> |
|---------------|---------------------|-------------------------------|--------------------|------------------------------------|-------------------------|---------------------------------|
| 2005-06B      | 1/26/06             | 1/26/07                       | \$353,228          | 7,158                              | 352,000                 | \$6,205                         |
| 2006-07A      | 6/28/06             | 6/28/07                       | 363,494            | 113                                | 364,000                 | 93                              |
| Total         |                     |                               | <u>716,722</u>     | <u>7,271</u>                       | <u>716,000</u>          | <u>6,298</u>                    |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

| <u>Series</u> | <u>Balance Beginning of Year</u> | <u>Advances Received</u> | <u>Advances Repaid</u> | <u>Balance End of Year</u> |
|---------------|----------------------------------|--------------------------|------------------------|----------------------------|
| 2005-06B      | \$ -                             | -                        | -                      | -                          |
| 2006-07A      | -                                | -                        | -                      | -                          |
| Total         | <u>-</u>                         | <u>-</u>                 | <u>-</u>               | <u>-</u>                   |

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| <u>Series</u> | <u>Interest Rates on Warrants</u> | <u>Interest Rates on Investments</u> |
|---------------|-----------------------------------|--------------------------------------|
| 2005-06B      | 4.500%                            | 4.772%                               |
| 2006-07A      | 4.500%                            | 5.676%                               |

## (5) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

|                                                 | Balance<br>Beginning<br>Of Year | Increases       | Decreases | Balance<br>End of Year |
|-------------------------------------------------|---------------------------------|-----------------|-----------|------------------------|
| <b>Governmental activities:</b>                 |                                 |                 |           |                        |
| Capital assets not being depreciated:           |                                 |                 |           |                        |
| Land                                            | \$ 3,150                        | -               | -         | 3,150                  |
| Total capital assets not being depreciated      | <u>3,150</u>                    | <u>-</u>        | <u>-</u>  | <u>3,150</u>           |
| Capital assets being depreciated:               |                                 |                 |           |                        |
| Buildings                                       | 2,013,390                       | -               | -         | 2,013,390              |
| Improvements other than buildings               | -                               | -               | -         | -                      |
| Furniture and equipment                         | 456,364                         | 20,977          | -         | 477,341                |
| Total capital assets being depreciated          | <u>2,469,754</u>                | <u>20,977</u>   | <u>-</u>  | <u>2,490,731</u>       |
| Less accumulated depreciation for:              |                                 |                 |           |                        |
| Buildings                                       | 908,340                         | 44,925          | -         | 953,265                |
| Improvements other than buildings               | -                               | -               | -         | -                      |
| Furniture and equipment                         | 344,106                         | 30,937          | -         | 375,043                |
| Total accumulated depreciation                  | <u>1,252,446</u>                | <u>75,862</u>   | <u>-</u>  | <u>1,328,308</u>       |
| Total capital assets being depreciated,<br>net  | <u>1,217,308</u>                | <u>(54,885)</u> | <u>-</u>  | <u>1,162,423</u>       |
| Governmental activities capital assets,<br>net  | <u>1,220,458</u>                | <u>(54,885)</u> | <u>-</u>  | <u>1,165,573</u>       |
| <b>Business type activities:</b>                |                                 |                 |           |                        |
| Furniture and equipment                         | 20,028                          | -               | -         | 20,028                 |
| Less accumulated depreciation                   | 8,782                           | 1,669           | -         | 10,451                 |
| Business type activities capital assets,<br>net | <u>11,246</u>                   | <u>(1,669)</u>  | <u>-</u>  | <u>9,577</u>           |

Depreciation expense was charged to the following functions:

|                                                      |               |
|------------------------------------------------------|---------------|
| Support services:                                    |               |
| Operation and maintenance                            | 44,925        |
| Transportation                                       | <u>30,937</u> |
| Total depreciation expense – governmental activities | <u>75,862</u> |
| Business type activities:                            |               |
| Food service operations                              | <u>1,669</u>  |

## (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

|                          | Balance<br>Beginning<br>of Year | Additions | Reductions | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|-----------|------------|---------------------------|---------------------------|
| General obligation bonds | <u>\$455,000</u>                | -         | 65,000     | 390,000                   | 70,000                    |

### General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rates | <u>Bond issue of June 1, 1996</u> |               |                |
|----------------------------|-------------------|-----------------------------------|---------------|----------------|
|                            |                   | Principal                         | Interest      | Total          |
| 2007                       | 4.70%             | \$ 70,000                         | 18,980        | 88,980         |
| 2008                       | 4.70%             | 75,000                            | 15,690        | 90,690         |
| 2009                       | 4.80%             | 80,000                            | 12,090        | 92,090         |
| 2010                       | 4.90%             | 80,000                            | 8,170         | 88,170         |
| 2011                       | 5.00%             | <u>85,000</u>                     | <u>4,250</u>  | <u>89,250</u>  |
| Total                      |                   | <u>390,000</u>                    | <u>59,180</u> | <u>449,180</u> |

## (7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$159,618, \$153,487 and \$154,381 respectively, equal to the required contributions for each year.

## (8) Risk Management

Seymour Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## (9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$99,068 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

SEYMOUR COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2006

|                                                                                          | Governmental<br>Funds<br>Actual | Proprietary<br>Fund<br>Actual |
|------------------------------------------------------------------------------------------|---------------------------------|-------------------------------|
| Revenues:                                                                                |                                 |                               |
| Local sources                                                                            | \$ 1,350,763                    | 57,227                        |
| Intermediate sources                                                                     | 7,820                           | -                             |
| State sources                                                                            | 1,523,719                       | 1,857                         |
| Federal sources                                                                          | 303,515                         | 81,595                        |
| Total revenues                                                                           | <u>3,185,817</u>                | <u>140,679</u>                |
| Expenditures:                                                                            |                                 |                               |
| Instruction                                                                              | 1,898,190                       | -                             |
| Support services                                                                         | 1,076,627                       | -                             |
| Non-instructional programs                                                               | 250                             | 130,600                       |
| Other expenditures                                                                       | 186,449                         | -                             |
| Total expenditures                                                                       | <u>3,161,516</u>                | <u>130,600</u>                |
| Excess (deficiency) of revenues over (under) expenditures                                | 24,301                          | 10,079                        |
| Other financing sources                                                                  | <u>-</u>                        | <u>-</u>                      |
| Excess (deficiency) of revenues and other financing sources over<br>(under) expenditures | 24,301                          | 10,079                        |
| Balances beginning of year                                                               | <u>574,345</u>                  | <u>31,344</u>                 |
| Balances end of year                                                                     | <u><u>\$ 598,646</u></u>        | <u><u>41,423</u></u>          |

See accompanying independent auditor's report.

| Total<br>Actual | Budgeted<br>Amount<br>Original | Variance<br>Favorable<br>(Unfavorable) |
|-----------------|--------------------------------|----------------------------------------|
| 1,407,990       | 1,384,993                      | 22,997                                 |
| 7,820           | 30,000                         | (22,180)                               |
| 1,525,576       | 1,628,621                      | (103,045)                              |
| 385,110         | 415,000                        | (29,890)                               |
| 3,326,496       | 3,458,614                      | (132,118)                              |
| 1,898,190       | 2,583,106                      | 684,916                                |
| 1,076,627       | 1,095,030                      | 18,403                                 |
| 130,850         | 173,431                        | 42,581                                 |
| 186,449         | 430,925                        | 244,476                                |
| 3,292,116       | 4,282,492                      | 990,376                                |
| 34,380          | (823,878)                      |                                        |
| -               | 250                            |                                        |
| 34,380          | (823,628)                      |                                        |
| 605,689         | 1,110,694                      |                                        |
| 640,069         | 287,066                        |                                        |

## SEYMOUR COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2006

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30,2006

|                                          | Management        | Student Activity | Physical Plant and Equipment Levy | Total          |
|------------------------------------------|-------------------|------------------|-----------------------------------|----------------|
| <b>Assets</b>                            |                   |                  |                                   |                |
| Cash and pooled investments              | \$ 94,029         | 118,503          | 38,343                            | 250,875        |
| Receivables:                             |                   |                  |                                   |                |
| Property tax:                            |                   |                  |                                   |                |
| Current year delinquent                  | 1,517             | -                | 586                               | 2,103          |
| Succeeding year                          | 50,000            | -                | 23,540                            | 73,540         |
| Accrued interest                         | -                 | -                | -                                 | -              |
| Due from other governments               | -                 | -                | -                                 | -              |
| <b>Total assets</b>                      | <b>145,546</b>    | <b>118,503</b>   | <b>62,469</b>                     | <b>326,518</b> |
| <b>Liabilities and Fund Equity</b>       |                   |                  |                                   |                |
| Liabilities:                             |                   |                  |                                   |                |
| Accounts payable                         | 1,153             | 45               | 345                               | 1,543          |
| Deferred revenue:                        |                   |                  |                                   |                |
| Succeeding year property tax             | 50,000            | -                | 23,540                            | 73,540         |
| Total liabilities                        | 51,153            | 45               | 23,885                            | 75,083         |
| Fund equity:                             |                   |                  |                                   |                |
| Fund balances:                           |                   |                  |                                   |                |
| Unreserved, undesignated fund balance    | 94,393            | 118,458          | 38,584                            | 251,435        |
| <b>Total liabilities and fund equity</b> | <b>\$ 145,546</b> | <b>118,503</b>   | <b>62,469</b>                     | <b>326,518</b> |

See accompanying independent auditor's report.



SEYMOUR COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2006

|                                                           | Management | Student<br>Activity | Physical Plant<br>and<br>Equipment<br>Levy |
|-----------------------------------------------------------|------------|---------------------|--------------------------------------------|
| Revenues:                                                 |            |                     |                                            |
| Local sources:                                            |            |                     |                                            |
| Local tax                                                 | \$ 59,766  | -                   | 23,103                                     |
| Other                                                     | 2,761      | 87,947              | 1,011                                      |
| State sources                                             | -          | -                   | -                                          |
| Federal sources                                           | -          | -                   | 17,692                                     |
| Total revenues                                            | 62,527     | 87,947              | 41,806                                     |
| Expenditures:                                             |            |                     |                                            |
| Current                                                   |            |                     |                                            |
| Instruction:                                              |            |                     |                                            |
| Other instruction                                         | 1,753      | 83,374              | 599                                        |
| Support services:                                         |            |                     |                                            |
| Administrative support                                    | 48,229     |                     | -                                          |
| Plant operation                                           | -          |                     | 113,129                                    |
| Student transportation                                    | -          | -                   | 21,322                                     |
| Other expenditures:                                       |            |                     |                                            |
| Facilities acquisition                                    | -          | -                   | -                                          |
| Total expenditures                                        | 49,982     | 83,374              | 135,050                                    |
| Excess (deficiency) of revenues over (under) expenditures | 12,545     | 4,573               | (93,244)                                   |
| Other financing sources                                   |            |                     |                                            |
| Operating transfers in                                    | -          | -                   | 93,584                                     |
| Fund balance beginning of year                            | 81,848     | 113,885             | 38,244                                     |
| Fund balance end of year                                  | \$ 94,393  | 118,458             | 38,584                                     |

See accompanying independent auditor's report.

|       |                 |
|-------|-----------------|
| Total |                 |
|       | 82,869          |
|       | 91,719          |
|       | -               |
|       | 17,692          |
|       | <u>192,280</u>  |
|       |                 |
|       | 85,726          |
|       |                 |
|       | 48,229          |
|       | 113,129         |
|       | 21,322          |
|       | -               |
|       | <u>268,406</u>  |
|       | <u>(76,126)</u> |
|       |                 |
|       | 93,584          |
|       |                 |
|       | <u>233,977</u>  |
|       | <u>251,435</u>  |

SEYMOUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year ended June 30, 2006

| Account                | Balance<br>Beginning<br>Of Year | Revenues | Expenditures | Balance<br>End<br>of Year |
|------------------------|---------------------------------|----------|--------------|---------------------------|
| Athletics              | \$ 232                          | 21,350   | 21,351       | 231                       |
| FFA                    | 8,277                           | 18,735   | 19,754       | 7,258                     |
| FCCLA                  | 1,166                           | 3,672    | 3,408        | 1,430                     |
| General                | 76,152                          | 16,361   | 12,093       | 80,420                    |
| Vocal Music            | 2,562                           | 2,213    | 1,343        | 3,432                     |
| Student Council        | 1,035                           | 206      | 364          | 877                       |
| Cheerleaders           | 2,742                           | 445      | 620          | 2,567                     |
| S Club                 | 7,508                           | 5,838    | 6,128        | 7,218                     |
| Post Prom              | 2,925                           | 3,563    | 3,574        | 2,914                     |
| Youth Council          | 333                             | -        | -            | 333                       |
| Speech                 | 910                             | 4,305    | 5,014        | 201                       |
| Wayne County Coalition | 558                             | 550      | 279          | 829                       |
| Melissa's              | 101                             | -        | -            | 101                       |
| Lion's Back Stop       | 919                             | -        | -            | 919                       |
| TAG                    | -                               | 244      | 165          | 79                        |
| Class of 2006          | 2,002                           | 159      | 1,672        | 489                       |
| Class of 2007          | 4,128                           | 1,939    | 3,262        | 2,805                     |
| Class of 2008          | 1,810                           | 3,236    | 657          | 4,389                     |
| Class of 2009          | 525                             | 4,349    | 3,355        | 1,519                     |
| Class of 2010          | -                               | 782      | 335          | 447                       |
| Totals                 | \$ 113,885                      | 87,947   | 83,374       | 118,458                   |

See accompanying independent auditor's report.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

|                                             | Modified Accrual Basis |              |           |           |
|---------------------------------------------|------------------------|--------------|-----------|-----------|
|                                             | 2006                   | 2005         | 2004      | 2003      |
| Revenues:                                   |                        |              |           |           |
| Local sources:                              |                        |              |           |           |
| Local tax                                   | \$1,184,489            | \$ 1,110,940 | 1,035,494 | 1,019,698 |
| Tuition                                     | 33,187                 | 32,188       | 40,056    | 46,380    |
| Other                                       | 133,087                | 117,182      | 103,548   | 104,691   |
| Intermediate sources                        | 7,820                  | 9,730        | 21,822    | 12,326    |
| State sources                               | 1,523,719              | 1,428,263    | 1,390,765 | 1,400,576 |
| Federal sources                             | 303,515                | 284,052      | 313,005   | 148,073   |
| Total                                       |                        | 2,982,355    | 2,904,690 | 2,731,744 |
| Expenditures:                               |                        |              |           |           |
| Instruction:                                |                        |              |           |           |
| Regular instruction                         |                        | \$ 1,128,622 | 1,151,953 | 1,040,568 |
| Special instruction                         |                        | 491,148      | 401,814   | 345,430   |
| Other instruction                           |                        | 337,582      | 334,113   | 328,218   |
| Support services:                           |                        |              |           |           |
| Student services                            |                        | 89,263       | 92,139    | 85,524    |
| Instructional staff services                |                        | 115,260      | 123,041   | 88,722    |
| Administration services                     |                        | 316,867      | 307,751   | 257,675   |
| Operation and maintenance of plant services |                        | 211,133      | 187,098   | 189,539   |
| Transportation services                     |                        | 212,484      | 151,336   | 215,467   |
| Central support                             |                        | 519          | 778       | 45,355    |
| Non-instructional programs                  |                        |              |           |           |
| Other expenditures:                         |                        |              |           |           |
| Facilities acquisition                      |                        |              | -         | -         |
| Long-term debt:                             |                        |              |           |           |
| Principal                                   |                        | 65,000       | 60,000    | 60,000    |
| Interest and other charges                  |                        | 25,295       | 27,805    | 30,415    |
| AEA flowthrough                             |                        | 99,994       | 99,668    | 106,278   |
| Total                                       |                        | \$ 3,093,167 | 2,937,496 | 2,793,191 |

See notes to financial statements.

STEPHANIE MENDENHALL, CPA  
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Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Seymour Community School District:

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Seymour Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and issued my report thereon dated August 18, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Seymour Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error fraud in in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Seymour Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Seymour Community School District and other parties to whom Seymour Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Seymour Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

SEYMOUR COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Part 1: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

- II-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable since less than \$500,000 in federal awards.

**Other Findings Related to Statutory Reporting:**

- IV-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, did not exceed the certified budget.
- IV-B-06 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-06 Business Transactions – No business transactions were noted between the District and District officials or employees.
- IV-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions were noted requiring Board approval which had not been approved by the Board.

- IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 1V-I-06 Certified Annual Report – The Certified Annual Report will be filed with the Iowa Department of Education timely.
- IV-J-06 Student Activity Receipts – A grant of \$550 was received from Wayne County Coalition to be used to introduce nutritional eating ideas into the curriculum.

Recommendation – The money was not co-curricular in nature and should have been deposited into the General Fund to be used for the operation of the district.

Response – Will take under advisement.

Conclusion – Response accepted.

- IV-K-06 Cash Management – The Nutrition Fund checking account had a balance of \$32,000 at year-end earning no interest.

Recommendation – The balance in the checking account is too high. The money should be transferred to Iowa Schools Joint Investment Trust Account (ISJIT) where it will earn 4%. The District could have earned more than \$1,000 in interest revenue for the year.

The monthly cash needs of the District can be easily determined. Through a wire transfer the money needed to cover the checks can be available the next day, and at the same time the District can be earning a much higher return on its monies.

Response – We have set up an ISJIT account.

Conclusion – Response accepted.



